

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Institutional Agreements, Leases and Easements
Date: June 5, 2000

Recommended Action:

Approve the leases for the benefit of the institutions as summarized below.
(ROLL CALL VOTE)

Executive Summary:

The Iowa Code requires that agreements, leases and easements involving real property be approved by the Board of Regents by roll call vote. The leases presented for approval this month have been reviewed by the Attorney General's Office and are recommended for approval. A listing of principals is included as an attachment to this docket memorandum.

The University of Iowa requests approval to enter into a lease agreement with Maxwell Development for the University's use of warehouse space to house a hydraulic dam model, which will be constructed to accommodate a research project of the Institute of Hydraulic Research. In addition, the University requests approval to enter into a lease agreement with the Department of Veterans Affairs Medical Center for its use of research space in the College of Medicine facilities. The University also requests approval of lease agreements with Optimal Electronics Corporation, AudioNet International, and Enzymed for their use of business incubator space at the Oakdale campus.

Iowa State University requests approval of an addendum to the lease agreement with Epsilon Investment for the University's use of additional space for the Central Iowa Area Extension Office/Outreach Center. In addition, the University requests approval to enter into an easement agreement with the Central Iowa Water Association for the installation of a water line through a portion of the Rhodes Research Farm.

Background and Analysis:

A. UNIVERSITY OF IOWA

1. **MAXWELL DEVELOPMENT, L.C. (Landlord)**—The University requests approval to enter into a new lease with Maxwell Development, L.C., for the University's use of 12,000 square feet of warehouse space located in North Liberty, Iowa. The space will be leased at the rate of \$8,250 per month (\$8.25 per square foot, \$99,000 per year) for a four-year period commencing October 1, 2000, through September 30, 2004.

The salmon passage research project to be undertaken in the space is funded by a grant from Public Utility District No. 2 of Grant County, Washington. Funding for the research project, which also funds the lease payments, has been obtained for a minimum of four years, with the possible continuation for an additional two years. The University has indicated that there currently is not sufficient space available on campus to house the model, which will be constructed with an overall size of 90 feet by 110 feet.

The University agrees to be responsible for claims arising from its use and occupancy of the space in accordance with Chapter 669 of the Code of Iowa.

2. **U. S. GOVERNMENT, DEPARTMENT OF VETERANS AFFAIRS MEDICAL CENTER (Tenant)**—The University requests approval to enter into a new lease agreement with the United States Government for its use of a total of 8,000 to 10,000 square feet of University laboratory space in the Medical Research Center, Medical Laboratories, Eckstein Medical Research Building, Westlawn, and the Medical Research Facility. The Department of Veterans Affairs Medical Center currently utilizes approximately 7,676 square feet of laboratory space in the facilities for its research activities. The College of Medicine and the Department of Veterans Affairs coordinate the assignment of space for research activities among their respective facilities. The Department of Veterans Affairs now requires that its research projects be conducted in its own or leased facilities, which requires approval of the lease agreement.

The spaces will be leased for a one-year term commencing July 1, 2000 through June 30, 2001, at no cost to the tenant. The total square footage utilized by the Department of Veteran Affairs Medical Center may vary as room assignments change, but it will not exceed 10,000 square feet in accordance with the lease agreement.

The University reports that there are currently 22 faculty members located within College of Medicine research space who hold staff appointments with the Department of Veterans Affairs. The University estimates that it will receive \$1.8 million in research funding from the Department in the current fiscal year.

The tenant agrees to indemnify, defend, and hold harmless the University as customarily required.

3. The University requests approval of the following lease agreements as lessor for business incubator space in the Technology Innovation Center at the Oakdale Campus. In all cases the tenants agree to indemnify, defend, and hold harmless the University as customarily required.

- a. OPTIMAL ELECTRONICS CORPORATION (Tenant)—The University requests approval to renew the lease agreement with Optimal Electronics Corporation for its use of 613 square feet of space at the rate of \$306.50 per month (\$6 per square foot, \$3,678 per year) for a one-year period commencing July 1, 2000, through June 30, 2001. The lease renewal reflects an increase of 316 square feet of space. The total space will be leased at the same rate per square foot that is paid under the current agreement.

The space is utilized by Optimal Electronics Corporation for research and development of computer-aided, concurrent and logistics engineering and related software development, marketing and consulting services.

- b. **AUDIONET INTERNATIONAL, LLC (Tenant)**—The University requests approval to enter into a new lease agreement with AudioNet International, LLC, for its use of 1,329 square feet of space (1,237 square feet of office space and 92 square feet of storage space) at the rate of \$649.17 per month (\$6 per square foot for the office space, \$4 per square foot for the storage space, \$7,790 per year) for a one-year period commencing July 1, 2000 through June 30, 2001.

AudioNet International will develop specialty web sites that will deliver speeches, seminars or presentations via the Internet. The goal of the AudioNet system is to provide a convenient, efficient, and cost-effective approach for delivering high-quality training and professional/continuing education programs to a wide range of professions.

- c. **ENZYMED, A DIVISION OF ALBANY MOLECULAR RESEARCH (Tenant)**—The University requests approval to renew its lease agreement with Enzymed for its use of 4,222 square feet of space (2,915 square feet of laboratory space and 1,307 square feet of office space) at the rate of \$4,490 per month (\$14 per square foot for the laboratory space, \$10 per square foot for the office space, \$53,880 per year) for a one-year period commencing July 1, 2000 through June 30, 2001. The proposed rate per square foot for both the laboratory and office space reflects increases of approximately 17 percent over the rate paid under the current agreement. The rate increases are consistent with the University's rate schedule for tenants of the Technology Innovation Center.

EnzyMed is a pharmaceutical company whose mission is to use proprietary technology to discover potential new therapeutic drugs. EnzyMed is well suited for the Technology Innovation Center since the firm's core technology makes use of biocatalytic techniques.

B. IOWA STATE UNIVERSITY

1. EPSILON INVESTMENT, L.L.C. (Landlord)—The University requests approval of an addendum to the lease agreement with Epsilon Investment which currently provides 2,672 square feet of office space in Urbandale, Iowa, for the Central Iowa Area Extension Office/Outreach Center. The space is currently leased at the rate of \$2,672 per month (\$12 per square foot, \$32,064 per year) for a five-year term through April 30, 2005.

The addendum will provide an additional 1,000 square feet of space for a total leased area of 3,672 square feet. The additional space will be leased at the rate of \$1,000 per month (\$12 per square foot, \$12,000 per year) for an initial term of one year effective May 1, 2000. The addendum provides for automatic renewals for each succeeding annual period through April 30, 2005, consistent with the end of the lease term for the existing lease agreement.

The lease agreement with Epsilon Investment was approved by the Board in April 2000 to replace the University's previous lease agreement with the Des Moines Area Community College (DMACC) which provided 4,500 square feet of space for the Central Iowa Area Extension Office/Outreach Center. The lease was not renewed due to DMACC's need for the space.

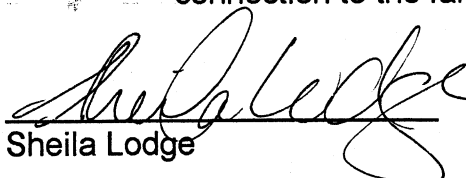
The April lease docket memo addressed the reduction in space from the 4,500 square feet leased at DMACC to the 2,672 square feet now leased from Epsilon Investment, a reduction of 1,828 square feet. The University indicated that the reduction in space would be accommodated with more shared use of space in the short term. The University further indicated that its future plans to relocate a portion of the Extension Office/Outreach Center functions to space at or near the Des Moines Higher Education Center was expected to provide total square footage for the Extension Office/Outreach Center that would be more comparable to the square footage leased at DMACC.

Following relocation to the Urbandale space, the University determined that the square footage was insufficient to house the functions of both the Extension Office and the Outreach Center. Moreover, the University has also determined that this square footage will remain insufficient even when some of the functions are relocated to the Des Moines Higher Education Center. The additional space provided by the addendum will accommodate the Extension Hotline staff and provide additional storage. The University has also indicated that this space will facilitate development of a multi-county Extension Office in the western part of Polk County.

The proposed multi-county office will be developed to provide local access to the growing number of residents in western Polk County and eastern Dallas County. The University believes that many of these residents may not be aware of the programs offered by the University Extension Service and have needs that could be met with an expanded delivery point. The University has indicated that the current site for the Extension Office/Outreach Center will also serve as the delivery point for the multi-county programming. The space to be made available with the future relocation of some of the Extension/Outreach functions to the Des Moines Higher Education Center will accommodate the functions of the multi-county office. The University is currently preparing an assessment survey to determine the type of programming to be offered with the multi-county site.

The University agrees to be responsible for claims arising from its use and occupancy of the space in accordance with Iowa Code §669.

2. **CENTRAL IOWA WATER ASSOCIATION**—The University requests approval to enter into an easement agreement with the Central Iowa Water Association for the installation of a water line at the Rhodes Research Farm in Marshall County, Iowa. The easement has been requested by the utility to extend a rural water line through the farm to serve a nearby housing development and golf course. The water line will extend approximately two miles through a pasture area on the farm. The water line, which will be installed at no cost to the University, will benefit the farm by providing a needed rural water connection to the farm's headquarters.


Sheila Lodge

Approved: _____


Frank J. Stork

Attachment

Listing of Principals for Leases

June 2000

Lease

Principals

University of Iowa

Maxwell Development

Jeffrey Maxwell

Jeffrey Maxwell owns a construction company that is periodically awarded construction contracts and receives subcontracts for University projects.

U. S. Government, Department of Veterans
Affairs Medical Center

Patricia Baker

The principal is not affiliated with the University.

Optimal Electronics Corporation

Ranko Vujosevic

The principal is not affiliated with the University.

AudioNet International

Herbert A. Wilson

The principal is not affiliated with the University.

Enzymed

David Waldek

The principal is not affiliated with the University.

Iowa State University

Epsilon Investment

Paul R. Reed

The principal is not affiliated with the University. Payments have been made to the Extension Office/Outreach Center in accordance with established procurement procedures.

Central Iowa Water Association

Duane C. Rozendaal

The principal is not affiliated with the University. Payments have been made to the Central Iowa Water Association Extension in accordance with established procurement procedures.